

OPINION PIECE:

South Africa cannot afford to ignore economic benefits of cannabis legalization

By Mzukisi Qobo¹ and Wandile Sihlobo², [Business Day](#), 16 July 2019

Marijuana, cannabis, dagga, weed, pot, Durban poison, ganja, mbanje, insangu, umya — call it what you may, cannabis is set to become a booming industry in the foreseeable future.

Cannabis has now been decriminalised in over 50 countries in the world, with others joining the bandwagon.

Canada has been one of the leading countries in developing the sector, with stocks such as Canopy Growth, Aurora Cannabis, and Aphria attracting attention. Many Canadian entrepreneurs and investors have been streaming into Lesotho and some are waiting for the floodgates of this new wealth to open across the continent. Green Fund estimates that the global cannabis market is worth \$150bn and the forecast by Barclays places the value of the sector at \$272bn by 2028.

Apart from Lesotho, which is Africa's first mover in decriminalising cannabis, African countries such as Botswana, Swaziland, Zimbabwe and Uganda are at varying stages of rolling out their licensing regime to attract investment to the sector. SA has been a laggard.

One of the factors that account for slow adaptation in the cannabis industry in SA has been the stigma associated with the plant. The emphasis has been on its recreational use and as one of the fuels for the drug economy, overlooking its medicinal benefits. Globally, the existence of "weed" stigma is a relatively new phenomenon that spread in the 19th century. Very few appreciate that this plant has been in existence for 12,000 years, traced in Asia in the main, and later spreading to other parts of the world.

Countries that have decriminalised cannabis and mainstreamed it in the economy and the health sector are contending successfully with negative perceptions associated with "weed". There is a need to separate extremities of recreational use from the medical and economic benefits of cannabis, which can help a great number of people.

In countries that have decriminalised cannabis, it comes in handy for ameliorating the pain associated with rheumatism, Parkinson's disease, Alzheimer and cancer within a sound regulatory health regime.

On the economic front, there are beneficial industrial uses of cannabis that are associated with hemp, fuel and textile. In the state of California, the value of the cannabis industry was estimated at \$3bn in 2017. Colorado and Florida were valued

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at more than \$1bn. In the same year, Canada spent over \$5bn on cannabis for medical and non-medical purposes. In China, the sales of textile fibre made from hemp totalled \$1.2bn.

At home, the City of Cape Town is freeing up land for medical cannabis, hopefully, opening up untapped economic opportunities. This is after parliament promulgated a legislative framework as required by the 2018 Zondo judgment.

It is worth highlighting that the judgment does not make it legal to commercialise cannabis, it merely decriminalises its use in the private space. However, this opens up a window of opportunity that politicians will need to cast wide open.

Oscar Mabuyane, premier of the Eastern Cape, has in recent times been the most prominent politician to take a courageous step in extolling the virtues of cannabis, and signalling that he wants to position his province in this direction. That province has been afflicted by economic ills and is lagging behind in both agriculture and industrial development. Citizens in this part of the country are at the bottom rung of the socioeconomic ladder.

There is anecdotal evidence in places such as Lusikisiki, Flagstaff and Libode in the Eastern Cape, and parts of Kwa-Zulu Natal and Limpopo provinces where this crop has been cultivated in the shadows of the law. Illegality has hindered economic prosperity.

SA has been slow in taking advantage of the Zondo judgment to spawn a clear policy framework that could catalyse the economic uses of cannabis. In the interim, there are a set of guidelines in place that have been issued by the Medicines Control Council. These are interim regulations until parliament comes up with a permanent framework. The guidelines anticipate legislative measures that not only decriminalise cannabis but pave the path to commercialisation.

Cannabis could very well be a catalyst for revitalising rural communities that are economically marginalised and excluded from the agriculture value chains, as well as create opportunities for canna-tourism especially in the Eastern Cape, KwaZulu-Natal and Limpopo. If SA tarries longer, it could suffer a latecomer competitive disadvantage in the future.

SA still has an opportunity to build a competitive edge in the sector despite the fact that countries such as Lesotho are first movers. Lesotho is building its cannabis economy on the back of cheap labour, water abundance, relatively affordable electricity and high altitude which reduces costs associated with pest management, thereby positioning the country as a supplier of an organic variety of cannabis.

SA's competitive advantage could be built on the back of a clear and predictable regulatory framework; an open investment regime; strong research and development support; knowledge networks that bring together university researchers, centres of excellence, and other industry players; product quality and standards authority; and low-cost licensing regime. Yet still there could be ample opportunities to build regional value chains of hemp products among Southern African Customs Union countries, as well as develop harmonised standards on medical research and clinical trials.

The immediate task should be to reclassify cannabis as an agricultural crop, not “weed” which reinforces its stigma. More research and data will be needed to reveal additional benefits of cannabis as well as getting a better sense of regions that can grow cannabis more efficiently.

All music comes to an end, and so will the cannabis boom. The CEO of Green Fund, Mark Bernberg, has projected that by 2023 cannabis will become a commodity with everyone racing to produce it, and with oversupply depressing prices and flattening margins.

For now, there are ample opportunities for new entrepreneurs to ride the wave of this emerging sector. These include cultivation and production; hydroponics; industrial hemp (fuels, chemicals, environmentally friendly plastics, biodegradable nappies, sanitary pads and textiles); compound isolation and new strand development; seed distribution; logistics and transportation; retail outlets or dispensaries and clinical trials and medical research, among others.

The thrust of policy should be a balance between equity and a liberal investment regime, a value-chain approach, a bias towards uplifting rural communities, and provision of financial and nonfinancial support for new black entrepreneurs.

Globally, the industry has just taken off. SA can still compete, but it will need to move with speed. While it may not make our economy high, the cannabis sector could help ease the country’s economic pains that were outlined in finance minister Tito Mboweni budget vote.

Even though it is a late starter, SA can learn valuable lessons from the mistakes committed by first movers as well as best practices in countries such as Australia, Canada, Italy and Uruguay.

The cannabis sector promises to be the new avenue for growth and job creation in SA, and the sooner a predictable policy and legislative framework is promulgated the better for the country’s economic fortunes.